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E.O. 12958: DECL: 03/07/2033
TAGS: EAGR ECON PGOV VE
SUBJECT: FOOD EXPORTS AND IMPORTS FURTHER THREATENED BY
RECENT BRV ACTIONS

REF: A. CARACAS 174
¶B. CARACAS 152
¶C. CARACAS 141
¶D. CARACAS 102
¶E. CARACAS 86

¶1. (C) Summary: Recent BRV actions have complicated the situation for both food exporters and importers. To the great concern of exporters, on February 22 the BRV announced that it would add 77 food products to the list of Venezuelan goods requiring certificates of local sufficiency prior to permitting their export. On the import front, deteriorating relations with Colombia represent an additional challenge to keeping Venezuelan shelves stocked. End Summary.

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Export Restrictions: Impact on Industry Davids and Goliaths
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¶2. (SBU) The BRV,s addition of 77 new food products to its list of goods requiring certificates of local sufficiency has led to unsurprising distortions in the Venezuelan market. Exporters such as Cargill, a U.S. agribusiness giant, must demonstrate that there is a sufficient supply of their product in Venezuela before they are allowed to export. In September 2007 when the initial list of restricted goods was released, Cargill hired a team of contractors whose sole job is to process the certificates of local sufficiency. The certificates often take more than 2 months to obtain. During this delay, perishables are lost and Cargill is vulnerable to hoarding charges (ref A). With the 77 additions in late February, one of their lawyers informed us that Cargill's legal team is recommending they cease all food exports. She stated that they have yet to come to an understanding with the relevant regulatory bodies on how to comply with the expanded export restrictions and it is now impossible to export. The legal advisors believe that Cargill cannot export without breaking some facet of Venezuelan law.

¶3. (SBU) The Cargill attorney noted that 98 percent of Cargill's products in Venezuela are considered to be basic needs and are therefore heavily regulated by the BRV. Cargill is the subject of constant inspections and as many as 4 different government agencies show up on a daily basis to inspect Cargill's facilities to ensure they are complying with the myriad regulations. One of Cargill's biggest challenges is their corporate policy, in compliance with U.S. law, against bribes. BRV requirements, such as the

certificates of local sufficiency, are subject to interpretation and many companies are offering incentives to government officials to ensure they receive their certificates. Cargill is unable to follow suit.

¶4. (SBU) For small producers lacking teams of lawyers the new restrictions are even more devastating. For example, in 2007 Venezuelans consumed only 35 percent of their world famous, domestically produced cocoa. Sixty-five percent of the 2007 harvest was exported. The domestic market does not have the capacity to absorb anywhere near the full Venezuelan production of cocoa, which makes cocoa a very strange addition to the list of products that now require certificates of local sufficiency. On March 2 the President of the Association of Cocoa Producers stated that the new export restrictions are contradictory. On the one hand the government is promoting the cultivation of cocoa and supporting the sector with credits, but on the other, it has created a new requirement that makes exporting far more difficult. Many foreign buyers have suspended their orders of cocoa until the producers are able to sort out how they will obtain the government's permission to export.

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Adding Insult to Insults: Import Issues with Colombia
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¶5. (SBU) Problems on the border related to the food supply have been detailed previously (ref C) but new complications have emerged on the import side. Although the border is officially open and Venezuelan customs has yet to receive a formal order to stop goods from crossing, an estimated 1,800 trucks on both sides of the border are still waiting for

permission to transit the border. Colombian food and medicine are the only goods slowly making their way to Venezuela. EconOff met with the president of Fedecamaras Tachira Jose Rozo on March 4 to discuss the impact deteriorating relations with Colombia will have on the food supply. Between January and November of 2007, Colombia sold Venezuela USD 800 million in primary food stuffs such as fruits, vegetables and beans. Estimates show that 30 percent of Venezuela's imported food comes from Colombia. He stated that the two countries stand to lose more than 7 million dollars a day in imports and exports if cargo shipments remain delayed. Total bilateral trade amounted to USD 6.5 billion in 2007.

¶6. (C) Comment: It is not yet clear how the apparent Rio Group easing of tension will affect the movement of goods across the border. Although some progress has recently been made for certain categories of food imports, some products are still experiencing a delay of up to 220 days in obtaining all the required documentation. Chavez' recent threats to nationalize Colombian companies in Venezuela certainly won't soothe bi-lateral tensions or ease the flow of food imports. On the export side, increased restrictions have made life harder for Venezuelan food producers. If they are not allowed to make a profit overseas to finance their domestic operations, their overall production will continue to fall. End Comment.
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